

**CHARITIES, PHILANTHROPISTS, POLICY ENTREPRENEURS,  
INTERNATIONAL COMPANIES AND STATE SCHOOLING IN  
AOTEAROA NEW ZEALAND**

Final report to the New Zealand Educational Institute Te Riu Roa, New Zealand  
Post Primary Teachers' Association Te Wehengarua, and New Zealand Primary  
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## Summary

This report examines the development and delivery of state schooling policy in Aotearoa New Zealand at present. The main purpose of the report is to prepare a preliminary sketch map and understanding of what is occurring within a rapidly changing policy landscape. The analysis in this report documents how an increased presence of private sector actors is reshaping the ways in which state schooling policy is developed and enacted in classrooms, staffrooms, schools and local communities. It seems fair to suggest that the substance and magnitude of these changes remain largely unremarked in the media and their consequential effects not widely appreciated across civil society.

Of particular interest in this report is the role played by not-for-profit, charitable entities in state schooling. State schooling has commonly been regarded in social-democratic systems like New Zealand as a public or social good. Historically, education has also been a principal objective of charitable activity on the basis that it provides a significant public benefit. Charity or philanthropy enjoys a privileged position in contemporary New Zealand society, which itself places great importance on the altruistic acts of 'giving'. It is therefore timely to assess the extent to which these emergent state schooling philanthropic actors appear to be motivated by considerations of public good, public benefit and altruism.

Since 2008, National-led governments have actively encouraged a diverse array of for-profit, not-for-profit and hybrid private sector actors, and facilitated their entry into the managed marketplace of New Zealand state schooling. This represents a rapid local acceleration of the privatisation of state schooling trends that have been emergent globally since the 1980s. In New Zealand, as elsewhere, privatisation of state schooling takes two main forms: making schools run more like businesses; and bringing the private sector into state schooling.

Before the last decade or so, these privatisations could mostly be seen in the use of sole trader consultants, corporate professional services, or infrastructure trades and technology services, generally operating at arms' length from politicians and public servants. Today, the private sector comprises all these entities in for-profit, not-for-profit and Public Private Partnership (PPP) consortia forms, Non-Government Organisations (NGOs), private foundations, publicly registered charitable trusts,

individual entrepreneurs, and community groups and organisations including iwi, rūnanga and Urban Māori Authorities (UMAs).

Many of these entities no longer simply deliver schooling services on behalf of the state, however, but are also energetically involved in their conception, articulation and development in policy texts. Some public policy activities clearly continue to take place in and are mediated by the public sphere, but some others may not. Hence there is need for transparency and debate about the substance and style of state school policy governance to try and ensure its sustainability as a public good.

At the heart of the recent efforts to ‘modernise’ state schooling in New Zealand, lie networks of actors, organisations and their relations of mutual interest. For the purposes of this report it is suggested that these efforts may be understood theoretically as the displacement of traditional ‘classic market’ and ‘bureaucratic’ forms of state schooling governance, by newer professional and philanthropic ‘networks’ and ‘clans’ (e.g. iwi). In the education policy literature, the emergent patterns of dispositions and practices that embody these are sometimes known as ‘network governance’.

Examples of the newer network governance approach to state schooling in New Zealand include: (i) mandatory consideration of PPP as an alternative to conventional procurement for the design, build, finance and maintenance of school buildings; (ii) approval of private sector sponsors to operate multiple Partnership School Kura Hourua; (iii) increasing monetary subsidisation by households of nominally free state schooling, accompanied by the growing presence of private sector supplementary tutoring franchises; and (iv) tactical commercial partnerships between local not-for-profit Educational Management Organisations (EMOs) and for-profit, offshore education services ‘brands’ to deliver schooling products and services in New Zealand and overseas.

These examples are illustrative of a growing preference by the government to contract out state schooling services to the private corporate, NGO and philanthropic sectors. Charities law in New Zealand is accommodating of not-for-profit charities that establish a for-profit subsidiary, which then both competes against and collaborates with public sector entities in fluid tactical alliances that seek to win government contracts. These trends seriously blur the conceptual and practical distinctions between public and private participation in state schooling.

The current government has also adopted a policy vocabulary that signals a conscious withdrawal from traditional post WWII commitments to welfarism. Phrases like ‘government subsidy’ have now largely replaced references to ‘government funding and provision’ of state schooling. The policy shift by the state from a universalist approach to state schooling provision to a targeted social investment approach clearly has the potential to alleviate some inequalities of access to education for those who benefit from targeting, while at the same time exacerbating them for those who do not.

Historically, philanthropists have worked to address gaps in public services provision. The peak body Philanthropy New Zealand currently has over 130 grant awarding members and 110 recipient community organisations. Newer approaches to ‘venture philanthropy’ from the larger institutional trusts and private foundations now also commonly adopt ‘investment’, rather than ‘granting’ or ‘seeding’ approaches. These investments tend to be strategic in scope, larger in-scale, multi-year in enactment, and their outcomes explicitly evaluated in terms of returns on economic and/or social investment. In contrast, not-for-profit educational management organisations may regard their portfolio of routine activities as inherently charitable in purpose, which therefore mitigate or remove the obligation to make significant additional charitable donations from operating surpluses. In Aotearoa, iwi, rūnanga and UMAs typically enjoy charitable trust status and undertake increasingly influential roles in the state schooling network governance, thanks in no small part to historic Treaty of Waitangi settlements, which are estimated eventually to be worth \$2.6 billion.

At the time of writing, there are approximately 17,000 registered charities in New Zealand, over a third of which are education charities. In 2010, the total gross income for the sector was reportedly \$10.5 billion. The main reported sources of income were \$3.6 billion government grants, \$0.7 billion donations and \$4.1 billion services provision. New Zealand ranks third in the Charities Aid Foundation 2015 World Giving Index. Total giving in 2014 was estimated to be \$2.8 billion, or 1.17% of GDP. Personal giving comprised 55%, trusts and foundations 42% and business 3%. Of donated money, 9.9% was to education. An estimated 12.3 million volunteer hours were also given to education.

To get an overview of what educational charities do, how they are funded, and what they fund, an analysis of the New Zealand Charities Services database was undertaken for this study. Among the 6,059 registered educational charities, a third

reported education, training and research as their main sector of operation. Over half reported children and young people as their main beneficiary, 16% the general public, 6% family and whānau, and 2.1% older people. The most frequently reported main activities were services provision (20.7%), grants to other organisations (17%), information, advice and advocacy (15%), and grants and loans to individuals (12.9%). Just over half are mainly funded through non-government grants and sponsorships, and a quarter through a combination of bequests, donations and koha. Only 4.5% relied mainly on government grants and contracts and 3.9% on income from services and trading provision.

In order also to gain a sense of the scale of their financial activity, an analysis of 2014 gross income, expenditure and total assets was undertaken using the Charities Services financial database. The analysis was limited to the approximately 3,250 charities in the database whose main reported source of income was grants, contracts and sponsorship. Fifty-one educational charities reported total annual income, annual expenditure and total assets in excess of \$10 million. These included 17 private schools, the eight public universities, a variety of Institutes of Technology and Polytechnics, Private Training Establishments, professional and peak body trusts, and four kindergarten associations. There were also 174 charitable educational trusts with income between \$1 million and \$10 million.

Schooling policy networks come into being and flourish due to the interactions of the entrepreneurial policy actors who navigate them. These actors collaborate and network in order to materially influence state schooling policy development and services delivery. Actors may operate as individuals, groups or organisations. In New Zealand, the consummate schooling policy actor since the late 1990s has been Professor John Hattie, formerly at the University of Auckland. Hattie's now global social networking approach might reasonably be described as a seamless fabrication of his public-good, not-for-profit and for-profit policy entrepreneurship and advocacy. His original scholarly work in the university setting has since been packaged, branded and monetised through the Visible Learning book series and Visible Learning<sup>Plus</sup> programme of teacher workshops and associated school certification offered internationally under licence to various commercial partners by Cognition Education; and most recently through the Visible Classroom App which has been commercialised in

Australia, the UK and the USA via a partnership between the University of Melbourne and Ai-Media.

New Zealand examples of policy networks include the libertarian think tank, the New Zealand Initiative (NZI), and Teach First New Zealand Ako Mātātupu (TFNZ). Since 2012, NZI has rebranded to position itself as a research organisation that aims to contribute to the public good by bringing a pro market perspective to public policy debate. Its membership is drawn largely from the corporate business sector in New Zealand but includes St Cuthbert's College and the University of Auckland from the education sector. TFNZ offers a locally contextualised, boutique leadership development programme for high performing graduates in the form of a classroom-based initial teacher education programme. It is financially supported by a diverse range of local and offshore venture philanthropy groups, corporates, charitable trusts and education sector NGOs. TFNZ's official programme partners are University of Auckland, the Ministry of Education and Teach for All. Teach for All is a USA-based global member organisation of similar programmes. It enjoys significant school-choice and school-reform oriented philanthropic funding streams and global corporation contributions to its governance.

Six case organisations were selected to illustrate the diversity of contemporary state schooling policy entrepreneurship and advocacy, and to map their social networks. The cases are: Pearson, the world's largest educational organisation; Cognition Education Group and CORE Education Group, the two largest educational management organisations (EMOs) in New Zealand, both of which operate for-profit, wholly-owned subsidiaries of their respective not-for-profit charitable trusts; Foundation North, a Public Benefit Entity and the biggest philanthropic organisation in Australasia, which operates throughout Auckland and Northland, has net assets of over \$1 billion and distributes tens of millions of dollars annually in community grants and social investment projects; Community Education Trust Auckland (COMET), which operates as a deliberately small charitable trust and Council Controlled Organisation, providing thought leadership, research and project development services throughout the Auckland Council area; and KidsCan, the purposes of which are to fund, source and distribute goods and services to meet the material needs of children affected by poverty, and which has grown its equity from \$0 in 2007 to \$4.5 million in 2015. Together, these

six cases demonstrate something of the variety of private sector participation in and around state schooling policy today.

There are three EMOs in the study: the global corporation Pearson, Cognition Education Limited (based in Auckland) and CORE Education Limited (based in Christchurch). Pearson has a negligible visible presence in New Zealand schooling, yet in Australia, which is one of its major strategic areas of operation, it has a significant share of the national school testing market. Overall it has 40,000 employees in over 70 countries and in 2015 its sales were approximately £4.5 billion. Pearson is an education services, thought leadership and venture capital brand. Its stated aim is to meet a global demand for education through: increasing access to high quality schooling and postsecondary education; enhancing literacy, numeracy, knowledge and skills; and linking education to professional career appointment and advancement. Pearson consistently uses the socially responsible language of making education more accessible and affordable, and applying educational products and services to scale to help governments meet their system goals. Pearson's Chief Education Adviser is Sir Michael Barber, with responsibility for Pearson's new initiatives on 'Efficacy', 'Pearson Affordable Learning Fund' and 'The Learning Curve'. The first is a commitment to measuring the impact on student learning outcomes of all Pearson's products and services, the second a venture capital initiative to provide 'low-cost' private schooling in developing countries, and the third is Pearson's attempt to shape the schooling policy discourse around the use of data analytics to make judgments about the performance of state and national school systems worldwide.

Cognition Education began as the charitable Multi Serve Education Trust, which was established at the outset of the Tomorrow's Schools administrative reforms to provide payroll, transport and financial administration services to schools in New Zealand. In the 2000s it underwent a series of structure and name changes including creation of the for-profit, wholly-owned subsidiary now known as Cognition Education Limited, the largest EMO in New Zealand. Being wholly-owned by the Trust confers domestic financial and reputational advantages associated with charitable status. These changes also enabled Cognition Education Limited to grow its export education services to the high point where in 2010 its annual income was \$69 million, yet by 2015 this had more than halved to \$28 million. Cognition Education Limited appointed its first CEO from overseas in 2016, with entrepreneurial expertise in a range of for-profit and not-

for-profit educational services providers. Since the mid-2000s Cognition Education Limited has invested heavily in commercialising the intellectual property of John Hattie through the Visible Learning<sup>plus</sup> series of sixteen workshops for teachers and associated whole school certification. These are now offered in New Zealand and, under licensing arrangements with key private sector partners, in Australia, Europe and North America. The Cognition Education Trust's equity has varied over the years but in 2015 was \$18.2 million. From a high point of \$654,000 in 2010, the Trust's annual charitable grants had reduced in value to \$251,000 in 2015.

CORE Education Group is the second largest EMO in New Zealand and, like Cognition, is configured as both a for-profit, wholly-owned limited company and a not-for-profit charitable trust. Since its establishment in the late 1990s, CORE Education's work has consistently focused on learning technologies and environments, and research and professional development services associated with these. Approximately 85% of CORE Education Limited's annual income in 2014 and 2015 came from contracts, most of these with the Ministry of Education. The financial statements suggest that it has benefited considerably from the MoE's decision to make the former universities-based school support services contestable from 2011. CORE Education Limited's annual income in 2010 was \$7.8 million. By 2015, this had grown to \$22.7 million, and the number of employees from 55 to 180. CORE Education Limited does not have proprietary, high-profile, former public good intellectual property comparable to the Visible Learning<sup>plus</sup> and Culture Counts<sup>plus</sup> brands that are sold by Cognition Education Limited. However, it does offer numerous online and face-to-face professional learning modules explicitly linked to various MOE schooling priorities, throughout New Zealand. In one or two cases CORE Education has an agreement through which successful module completion also gives free course credit towards a postgraduate certificate qualification at Unitec. CORE Education also has an agreement with New Pedagogies for Deep Learning (NPDL) Global, based on the work of educational thought leader Michael Fullan from Canada, to offer the NPDL proprietary teacher learning programme across a cluster of up to 100 Australian and New Zealand schools and early childhood centres. As part of its portfolio it also engages in research, consultancy, learning and learning management development services, publishing, event management, thought leadership and educational tour services. CORE Education argues that its educational services are inherently charitable and of public benefit and that, consequently, it is not obligated to

distribute additional grants from surpluses beyond its day-to-day work. For the period 2010-2015, the total value of grants reported in annual statements is net \$1,011,326, averaging \$168,554 each year. In addition, the Limited Company has donated \$702,775 to the Trust since formal separation of the two reporting entities in 2013 (most of this a one-off donation of \$600,000 in 2014).

Foundation North, COMET and Kidscan may be said to have different charitable purposes and goals to the three EMOs. The EMO activities are focused directly on the provision of schooling products and services, and on the delivery of government objectives or the improvement of officially mandated student learning outcomes, directly or indirectly. Foundation North, COMET and Kidscan operate both inside and outside the official curriculum and the compulsory schooling sector. The language they use tends to view schooling not in isolation, but as one of several vehicles for promoting greater social and economic well-being at individual, family and community levels. While they may sometimes adopt the official schooling discourse criterion of improved student learning outcomes to justify their activities, their charitable grants and projects in the domain of education often appear to meld classroom, family and community contexts for learning, and to promote a blend of cognitive, affective, cultural and relational outcomes of learning.

The Foundation North Group, formerly the ASB Community Trust, was established as a community trust in 1988 to provide goods and services for community or social benefit. Also a Public Benefit Entity, its trustees are appointed by the Minister of Finance. Initially the Trust's mandate was delivered in the form of buildings, land and regional infrastructure. In 2006, the Trust announced that it would in future focus on community grants and helping community organisations become sustainable through multi-year projects – what it now calls its venture philanthropy approach. The Trust makes financial investments of several hundred million dollars each year in managed funds to grow its equity in perpetuity and distributes a minority of the return on investments as grants. Between 2010 and 2015, the Foundation North Group generated annual investment income that varied greatly from year to year but nevertheless totaled \$632.3 million and averaged \$105.4 million annually over the period. In 2015, the Group's grant awarding subsidiary Foundation North Grants Limited distributed \$38.7 million from Group income of \$137.6 million. Between 2010 and 2015 grants totaled \$147.8 million, averaging \$24.6 million each year. In the same period, Group equity

increased from \$1 billion to \$1.2 billion. On average, 23.3% of the investment income returns received by the group was distributed in grants each year. In 2009 the Trust announced its Māori and Pasifika Education Initiative (MPEI) with an investment of \$20 million over five years. Seven projects were selected from proposals put forward by the community. In a second phase, the Trust identified a further four established projects from its networks, and in 2015 selected its final MPEI project, a leadership programme for young Māori women. In 2014, the Trust launched the Centre for Social Impact New Zealand with the dual purpose of supporting both its own venture philanthropy, and major initiatives by other philanthropic trusts, and government and corporate funders.

COMET was settled by former mayor Sir Barry Curtis as the City of Manukau Education Trust in 1999 to act as an information and advocacy hub and work with local stakeholders to advance educational opportunities in the Manukau community. A major purpose of the Trust was to use the financial investment made in it each year by the council to leverage external national government and philanthropic funds for local educational needs and projects. In 2012, it was re-launched by 'super city' mayor Len Brown as Community Education Trust Auckland. COMET is both a charitable trust and a Council Controlled Organisation, which means that the Council appoints the trustees and contracts with the Trust for some of its work. Between 2008 and 2015, COMET's annual income declined from \$1.18 million to \$0.89 million. In the same period its staffing establishment has reduced from a high point of 11FTE in 2007 to 7FTE in 2015, while the average salary per staff member has reduced in real terms by approximately 30% to \$66,834. Equity has remained broadly static, being \$0.39 million in 2008 and \$0.34 in 2015. COMET's 2015-2018 Statement of Intent summarises the scope of its work as advocacy (reports and data, strategic plans, policy), innovation (pilot programmes), and sector leadership (provide expertise, lead/form coalitions and networks, forums). Its priority areas include education and skills; language, literacy and numeracy; facilitating skills and outcomes for Māori and Pacific Peoples, supporting sustainable development of Māori outcomes, raising youth employability, strong family attachment and learning, and the Independent Māori Statutory Board Plan. It also provides 'backbone support' for the pan-Auckland, cross-sector Learning Auckland 'collective impact partnership'.

Kidscan was co-founded in 2005 by current CEO Julie Chapman, with the support of a \$40,000 grant from New Zealand Guardian Trust. Its purposes are to promote

education and the relief of child poverty nationally, to meet children's physical, nutritional and emotional needs by providing clothing, food and medical supplies, and to operate programmes, activities and events that support the charitable purposes. By 2014 Kidscan reported that it was operating in 447 schools in 14 regions and supporting 90,000 children. Kidscan distributes mainly goods through a series of named programmes such as Raincoats for Kids, Food for Kids, Health for Kids and a pilot head lice programme in partnership with Hawke's Bay District Health Board and the Ministry of Health. It describes its approach as 'fund, source and distribute'. In 2014, Kidscan acknowledged over 90 sponsors and supporters, and more than 25 trust and foundation partners including Meridian Energy, Trillian Trust Inc., McDonnell Dowell Creative Construction and the Ministry of Social Development. Kidscan's income in 2007 was \$0.98 million, it had a negative surplus and nil equity, and employed 7FTE staff. In 2015, its income was \$12.5 million, its surplus \$0.86 million and its equity \$4.5 million, while it employed 58 full- and part-time staff who earned an average of \$43,760 each. In 2015 Kidscan's sources of income in excess of \$1 million were in-kind gifts and donated goods (\$5.2 million), campaigns (\$2.36 million), trusts and gaming trusts (\$1.5 million), government grants (\$1.4 million), and donations (\$1.15 million).

In 2016, there is a diversity of private sector policy actors who participate in New Zealand state schooling. Policy actors may be individuals, groups or organisations. They may be either entrepreneurial or philanthropic in orientation, or a mixture of the two, and act according to a complex mixture of public good, not-for-profit and for-profit motivations. Some work largely or exclusively in the area of schooling products and services, while for others schooling is one among several areas of activity. The increased presence of these policy entrepreneurs and advocates in the managed state schooling marketplace appears to have been actively encouraged and facilitated by National-led governments since 2008.

Government public sector rhetoric and policy texts now commonly refer to partial subsidies on behalf of taxpayers, PPPs and social investment approaches. These create opportunities and expectations for business and the third sector, including charities, iwi, rūnanga and UMAs, to share the responsibilities of delivering government services, along with greater user pays by households and families. This constitutes a considerable challenge for proponents of the state schooling sector, which by law is both compulsory and free. Those who oppose the privatisation of state schooling on

principle, on the grounds that it is a public good and thereby a foundational element of government's social contract with civil society, face something of a dilemma because the current administration is apparently adamant that it will not increase overall government funding to state schooling in real terms. The gradual withdrawal of government enables private sector participation and with participation come expectations of decision-making and property rights. These may range from a return on commercial or social investment in product and services provision, to a role in determining policy for mutual benefit.

The prospect of greater private sector participation in creating policy and deciding policy settings raises fundamental questions about public versus private benefit in the delivery of state schooling. In the case of the five charitable trusts used as cases in this report, the amount and quality of information on their personnel, activities and finances are both limited and inconsistent. In both their for-profit and not-for-profit forms, charities claim to be contributing to the public good but there is insufficient standard information for disinterested observers to establish whether and to what extent claimed public benefits outweigh private benefits to individuals, whether charitable distributions are a reasonable proportion of annual income over time, and whether any harm is being done to existing state schooling services and the public sector as a result of greater private sector participation.

Gradual withdrawal of government from the funding and provision of state schooling, while at the same time increasing its control over the standards and accountabilities of system performance, radically changes the logics and dynamics of the public education system. It places proportionately greater emphasis on private sector networking and contracts and proportionately less on social democratic, participatory approaches to decisions around public policy development and services delivery. These newer state schooling relations of PPP, contracting out, venture philanthropy and charity need to be understood in much greater depth in terms of the political strategies and tactics being pursued by private sector actors, the degrees of influence they have over politicians and officials, and the material effects their activities have on children, teachers, schools and local communities.

Government has an unambiguous legislative responsibility to ensure that all children receive free compulsory schooling yet the current administration appears to have unilaterally set practical limits or qualifications on this responsibility: by way of

partial subsidies, user pays, guaranteed return on investment for private sector actors, and an expectation that major innovation in state schooling will be funded philanthropically. Arguably, each of these is to a greater or lesser extent inimical with the social contract that government has with communities, families and children.

It is likely that the entry of private sector actors who bring a variety of financial, knowledge, cultural and social capital resources to an over-stretched state schooling system creates tangible benefits by ensuring the presence of educational interventions, products and services that would not otherwise be made available by central government through Vote Education appropriations. This may reasonably be asserted to be the case with organisations like Foundation North, COMET and Kidscan. Their scopes of activity demonstrate, respectively, the need to: (i) fund proof of concept innovation in schooling which can then be scaled-up across the state system as a whole; (ii) increase the community brokerage role played by local government, in order to create more seamless education pathways for children between the home and school, and between the school and workplace; and (iii) to simply put more money into the state schooling system to address children's basic needs so that they do not act as perfectly avoidable barriers to learning.

It may possibly be more difficult to assert that organisations like Pearson, Cognition Education Limited, and CORE Education Limited provide interventions, products and services that would not otherwise be available. It could be claimed that in comparison with the three philanthropic actors above, EMOs, whether for-profit or not-for-profit, take more money out of the state schooling system than they return in terms of contracted-out services and genuine charitable grants. No doubt central government would argue that with their lower overheads and closely specified service contracts, smaller and more nimble private sector charities offer better value-for-money state schooling support than larger public sector organisations. However, that too needs to be the subject of debate and analysis.

This report has provided a preliminary sketch map to identify some of the emergent strategies, tactics, dispositions and behaviours of the range of private sector policy entrepreneurs and advocates who are active in New Zealand state schooling today. It raises important questions about the potential benefits and harms of increased private sector participation. It also provides a starting point for a necessary public debate about the purpose, nature and forms of free, compulsory state schooling and

how these can be realised in a context where government no longer fully accepts its statutory responsibility to provide for all children a high quality state schooling experience that is free at the point of use.